

VZCZCXRO0398
OO RUEHROV
DE RUEHJM #0490/01 0801229
ZNR UUUUU ZZH
O 201229Z MAR 08
FM AMCONSUL JERUSALEM
TO RUEHC/SECSTATE WASHDC IMMEDIATE 0925
INFO RUEHXX/ARAB ISRAELI COLLECTIVE IMMEDIATE
RUEATRS/DEPT OF TREASURY WASHDC IMMEDIATE

UNCLAS SECTION 01 OF 02 JERUSALEM 000490

SIPDIS

SENSITIVE
SIPDIS

FROM CONSUL GENERAL WALLIS FOR U/S JEFFERY AND DIRECTOR FORE
NEA FOR A/S WELCH; EEB FOR DIBBLE
DEPT PLEASE PASS TO OPIC FOR ROBERT MOSBACHER

E.O. 12958: N/A
TAGS: [EINV](#) [ECON](#) [EFIN](#) [KWBG](#)
SUBJECT: OPIC'S PROPOSED HOUSING MORTGAGE FACILITY A
CRITICAL ELEMENT IN ADVANCING U.S. OBJECTIVES

REF: A. STATE 25706
[B](#). STATE 25604
[C](#). 07 JERUSALEM 1575

[1](#)1. (SBU) I appreciate the opportunity to offer my strong support for OPIC's proposed mortgage finance facility for the West Bank prior to the OPIC Board's consideration of the initiative this week. We have supported OPIC's efforts to advance this project since it was first proposed in mid-2007. Given the unequivocal support for the project from the most senior levels of the Palestinian Authority (PA), including President Abbas (Abu Mazen), and from significant Palestinian private sector developers, I believe the initiative could have a critical economic and political impact in support of our objective of building the infrastructure for a Palestinian state as part of President Bush's effort to resolve the Israeli-Palestinian conflict. More generally, OPIC's energetic engagement in Palestinian economic issues, including through the loan guarantee program signed last summer, has been a tangible demonstration of USG support for the government of Prime Minister Fayyad.

[1](#)2. (SBU) Senior PA officials, including Abu Mazen and Fayyad, have repeatedly expressed to me their support for OPIC's initiative. On February 19, Abu Mazen wrote to Secretary Rice in support of OPIC's contribution to the

SIPDIS
mortgage finance initiative and urged the Secretary to support OPIC's involvement in the program in partnership with the Palestine Investment Fund (PIF). Fayyad has also expressed his strong support for the project to OPIC President Mosbacher. Both Abu Mazen and Fayyad have asked OPIC to establish the initiative early in 2008, as a catalyst for the Bethlehem Investment Conference, which the USG is aggressively supporting. While the actual disbursement of funds from this initiative may take place over the medium and long-term, prominent Palestinian developers have told us and OPIC that approval of the proposal will serve as a catalyst for their own development initiatives in the more immediate future.

[1](#)3. (SBU) The proposal has already garnered support from others, including Quartet Representative Blair, who successfully lobbied London to secure UK (DFID) support for the project. We have (Ref B) urged Gulf States to contribute to the program. In addition, the mortgage facility is among the proposals being promoted through the Secretary's U.S.-Palestinian Public-Private Partnership Initiative. The IFC's willingness to contribute is a significant signal of its return to the Palestinian economic scene, which the USG has been encouraging in recent months.

¶4. (SBU) OPIC has, since beginning discussions on this initiative in mid-2007, consulted closely with public and private sector Palestinian officials. OPIC and PIF met and corresponded regularly with the PA's Capital Market Authority (CMA) and provided expert legal counsel to assist the CMA in completing its earlier efforts to update and modernize the regulatory framework governing mortgage financing in the West Bank and Gaza. We agree with OPIC, PIF, and The Cooperative Housing Foundation (CHF) assessments that a significant and growing demand for affordable housing in the West Bank is not being met and long-term mortgage financing is generally not available to Palestinians.

¶5. (SBU) The PIF, having been criticized for paying too much attention to overseas investments, has increasingly focused on investments in the West Bank, particularly those designed to stimulate Palestinian economic growth. The OPIC-PIF-Aspen loan guarantee facility, announced by the President and signed in July 2007 (Ref C), is expected to support up to USD 20 million in loans to SMEs by the end of 2008. The PIF is also involved in the Gaza Marine Gas project, the establishment of a second cellular phone company (Wataniya), and multiple industrial estate proposals. Post is aware that in conjunction with litigation against the PA and PLO in the U.S., PIF assets have been attached in judgments. However, those actions have not precluded previous OPIC involvement with PIF, including the loan guarantee program noted above. If we cannot work with the PIF, virtually no USG support will be available for large scale private sector activities here.

¶6. (SBU) Post has no reason to believe that the potential investors (listed Ref A, para 2) have any ties to terrorism, money laundering, corruption or other violations of the law, though we understand that OPIC will not enter into a financial commitment until after satisfactorily completing

JERUSALEM 00000490 002 OF 002

the appropriate level due diligence.

¶7. (SBU) OPIC has invested a significant amount of work on this initiative over the past seven months. I urge you to lend your full support to the program and OPIC's efforts to maintain hard-won momentum at this critically time.
WALLES